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Press Release

Gas Price Panic

Pinedale Natural Gas
Steven Shute, President
steve@pipeline.group

The Western natural gas market suffered a panic attack for the January gas price index.

Pinedale Natural Gas buys natural gas on a “FOM” or First-of-Month index at the Opal gas hub near Kemmerer. The ICE or Inter-Continental Exchange uses the weighted average of the last few trades of expiring Opal futures contracts, to set the FOM price for next month.

Opal Hub has pipelines that can send SW Wyoming production to Chicago-Denver-Salt Lake-Boise-Portland-Seattle and Northern & Central California. Prices had risen 25% after Thanksgiving and the December index was \$12 per Decatherm (million BTUs). This was the highest FOM index that PNG had paid in our 30-year history. January futures were strong in the \$12-20 range.

Opal pricing is often influenced by West Coast factors. In this case, some cold-wet weather was forecast for PacNW, a pipeline to SoCal was down (for a year), and California gas storage was low (for a year). There were only 3 trading days in the last week of December, and only a handful of trades registered for a small amount of gas, about 1/5th of normal...

Whatever the excuse, the FOM January index was fixed at **almost \$50**, or 4 times the highest ever paid by PNG in its 30 years, set in the past month.

“Unprecedented” isn’t a strong enough word, like “surprise” for 9/11 or December 7. This market panic affects 80 million people in all states west of Wyoming, including NM-AZ-NV along the southern pipelines to California. Oddly, gas prices have softened everywhere east of Rock Springs.

With Russia’s machinations in Ukraine & Europe last winter, PNG had hedged or forward-fixed the price on much of our gas needs for winter. For Dec-Jan-Feb we hedged 3/4 of expected volume, at average \$8 /DTh, same as last winter.

This was a surprisingly good outcome in December. We hadn’t hedged for years, but markets haven’t been normal, lately.

January is an entirely different level:

- If no hedge, the Jan23 gas bill would have been the same as for *ALL of 2022*;
- The hedges reduced exposure by \$1.4M so far;
- But still, the January gas cost will be very high, about 2/3 of *all of 2021*.

The Wyoming Public Service Commission allows PNG to pass through all gas costs entirely & exactly. Whatever the value of the gas, PNG keeps only a transportation charge for a package of gas delivered, like UPS. Pinedale customers will eventually have to pay back any under-recovery of gas cost.

PNG files with PSC for a Purchased Gas Adjustment to true-up gas costs every 6 months, late in February and August. Any over- or under-recoveries of gas cost are amortized over the next 12 months of volume. For this recent sudden run-up, the Commission approved an emergency \$2.00 /DTh Gas Cost Recovery surcharge last week, effective January 17. We expect a modest bump in February price, and should have a clear direction & payoff schedule with the PSC filing next month.

Gas consumers in Pinedale will see yet another price increase. Last winter's price was \$1.055 per Therm (100,000 BTUs or 1/10th Decatherm); then \$1.17 /Therm through December. With the emergency surcharge, the new rate will be \$1.45 per therm for 3 months.

This Western gas panic attack was absolutely unexpected and illogical. But the costs and impacts are very real for January 2023 for about 80 million people of the West, including tiny Pinedale. The remote nature of Pinedale would seem to insulate the community from world events, but in this case the local gas production is tied to a much wider market.